Kgatelopele Local Municipality
(Registration number NC086)
Financial statements
for the year ended 30 June 2017

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Local Municipal function as set out in the Constituition. (Act no. 117 of 1996)
Full Time Mayor	N Prince (Party Representative)
Ward Councillors	I Williams (Ward 4) EM Sulliman (Ward 2) R Losper (Ward 3) NM Ngesi (Ward 1)
Councillors	AS Adams (Party Representative) P Mqcera (Party Representative)
Grading of local authority	Category B
Registrered Office	222 Main Road Daniëlskuil
Telephone Number	053 384 8600
Registered address	PO Box 43 Daniëlskuil 8405
Accounting Officer	AM Motswana
Acting Chief Financial Officer (CFO)	O Louw
Bankers	First National Bank
Enabling legislation (Local Government)	Muncipal Finance Management Act, Act 56 of 2003 (MFMA) Municipal Systems Act, Act 32 of 2000 Municipal Structures Act, Act 117 of 1998 Local Government: Municipal Systems Act (Act 32 of 2000) Various other acts and regulations

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality at the end of the financial year.The external auditors are engaged to express an independent opinion on the finacial statements and will be given unrestricted access to all finacial records.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The municipality is mostly dependent on conditional grants for continued funding of operations. The finacial statements are prepared on the basis that the municipality is a going concern and that the Kgatelopele Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The financial statements set out within this document, which have been prepared on the going concern basis, should have been approved by Council on 28 September 2017 and the report was signed off by the accounting officer.

The remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Accounting Officer

Daniëlskuil

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 9 of meetings were held.

Name of member	Number of meetings attended
Mr WMS Calitz (Chairperson)	9
Mr J Van Tonder	9
Ms T Mogamisi (resigned 24/11/2016)	2
Mr S Thole (appointment 01/06/2017)	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA.

Evaluation of financial statements

The audit committee has:
- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Date: ____________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The municipality is engaged in local municipality function as set out in the constitution (act no.117 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 4 096 145 (2016: surplus R 8 053 053).

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The ability of the municipality to continue as a going concern is dependent on a number of significant factors which are discussed in note 50.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would have an impact on the financial statements.

4. Accounting Officer's interest in contracts

In terms of the Supply Chain Management Policy of the municipality, councillors and officials are prohibited from entering into commercial transactions with the municipality.

Councilors and officials are required to disclose any business interest which they may have elsewhere.

The register of declaration of interest is available in the office of the Chief Whip for inspection.

Consistent with the Supply Chain Management Policy of the municipality, none of the councillors or officers entered into any commercial transaction with the municipality during the period under review.The Accounting Officer does not have any interest in contracts.

5. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

6. Non-current assets

There were no major changes in the physical nature of the non-current assets of the municipality during the year.

7. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.

8. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
AM Motswana	South African

Kgatelopele Local Municipality
Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	692 900	-	692 900	885 457	192 557	
Receivables from non-exchange transactions	29 308 604	-	29 308 604	7 764 608	(21 543 996)	
VAT receivable	-	-	-	7 741 483	7 741 483	
Consumer debtors	48 523 000	-	48 523 000	13 254 328	(35 268 672)	
Cash and cash equivalents	533 000	-	533 000	9 067 658	8 534 658	
	79 057 504	-	**79 057 504**	**38 713 534**	**(40 343 970)**	
Non-Current Assets						
Investment property	-	-	-	53 310 355	53 310 355	
Property, plant and equipment	-	-	-	258 096 887	258 096 887	
Intangible assets	-	-	-	383 079	383 079	
Heritage assets	-	-	-	875 000	875 000	
	-	-	-	**312 665 321**	**312 665 321**	
Total Assets	**79 057 504**	-	**79 057 504**	**351 378 855**	**272 321 351**	
Liabilities						
Current Liabilities						
Other financial liabilities	636 000	-	636 000	-	(636 000)	
Payables from exchange transactions	7 709 000	-	7 709 000	42 265 175	34 556 175	
Consumer deposits	278 226	-	278 226	1 419 606	1 141 380	
Employee benefit obligation	-	-	-	163 000	163 000	
Unspent conditional grants and receipts	-	-	-	7 558 660	7 558 660	
	8 623 226	-	**8 623 226**	**51 406 441**	**42 783 215**	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	1 138 000	1 138 000	
Provisions	5 351 278	-	5 351 278	2 170 688	(3 180 590)	
	5 351 278	-	**5 351 278**	**3 308 688**	**(2 042 590)**	
Total Liabilities	**13 974 504**	-	**13 974 504**	**54 715 129**	**40 740 625**	
Net Assets	**65 083 000**	-	**65 083 000**	**296 663 726**	**231 580 726**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	51 060 065	51 060 065	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Accumulated surplus	65 083 000	-	**65 083 000**	245 603 659	**180 520 659**	
	-	-	-			
Total Net Assets	**65 083 000**	-	**65 083 000**	**296 663 724**	**231 580 724**	

Kgatelopele Local Municipality

Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	13 929 998	-	13 929 998	-		13 929 998	6 533 755		(7 396 243)	47 %	47 %
Service charges	42 997 000	(1 000 000)	41 997 000	-		41 997 000	36 111 297		(5 885 703)	86 %	84 %
Investment revenue	167 083	-	167 083	-		167 083	375 732		208 649	225 %	225 %
Transfers recognised	22 464 000	1 120 128	23 584 128	-		23 584 128	20 223 785		(3 360 343)	86 %	90 %
Other own revenue	4 241 919	254 000	4 495 919	-		4 495 919	4 266 602		(229 317)	95 %	101 %
Total revenue (excluding capital transfers and contributions)	**83 800 000**	**374 128**	**84 174 128**	**-**		**84 174 128**	**67 511 171**		**(16 662 957)**	**80 %**	**81 %**
Employee costs	(31 237 000)	2 761 473	(28 475 527)	-	-	(28 475 527)	(23 802 201)	-	4 673 326	84 %	76 %
Remuneration of councillors	(2 564 246)	202 137	(2 362 109)	-	-	(2 362 109)	(2 197 163)	-	164 946	93 %	86 %
Debt impairment	(3 951 000)	-	(3 951 000)			(3 951 000)	-	-	3 951 000	- %	- %
Depreciation and asset impairment	(4 509 180)	-	(4 509 180)			(4 509 180)	(25 434 839)	-	(20 925 659)	564 %	564 %
Finance charges	(245 180)	-	(245 180)	-	-	(245 180)	(403 122)	-	(157 942)	164 %	164 %
Materials and bulk purchases	(19 280 000)	1 588 000	(17 692 000)	-	-	(17 692 000)	(17 472 643)	-	219 357	99 %	91 %
Transfers and grants	(4 530 750)	(5 249 368)	(9 780 118)	-	-	(9 780 118)	(3 977 167)	-	5 802 951	41 %	88 %
Other expenditure	(17 481 000)	522 448	(16 958 552)	-	-	(16 958 552)	(17 898 697)	-	(940 145)	106 %	102 %
Total expenditure	**(83 798 356)**	**(175 310)**	**(83 973 666)**	**-**	**-**	**(83 973 666)**	**(91 185 832)**	**-**	**(7 212 166)**	**109 %**	**109 %**
Surplus/(Deficit)	**1 644**	**198 818**	**200 462**	**-**		**200 462**	**(23 674 661)**		**(23 875 123)**	**(11 810)%**	**440 065)%**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	9 173 000	12 000 000	21 173 000	-		21 173 000	16 439 605		(4 733 395)	78 %	179 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	3 138 911		3 138 911	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**9 174 644**	**12 198 818**	**21 373 462**	**-**		**21 373 462**	**(4 096 145)**		**(25 469 607)**	**(19)%**	**(45)%**
Surplus/(Deficit) for the year	**9 174 644**	**12 198 818**	**21 373 462**	**-**		**21 373 462**	**(4 096 145)**		**(25 469 607)**	**(19)%**	**(45)%**

Capital expenditure and funds sources

Total capital expenditure	12 073 000	9 100 000	21 173 000	-		21 173 000	21 027 961		(145 039)	99 %	174 %

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	17 635 000	14 821 330	32 456 330	-		32 456 330	23 452 949		(9 003 381)	72 %	133 %
Net cash from (used) investing	(9 173 000)	(12 000 000)	(21 173 000)	-		(21 173 000)	(16 490 270)		4 682 730	78 %	180 %
Net cash from (used) financing	(636 000)	636 000	-	-		-	(542 224)		(542 224)	DIV/0 %	85 %
Net increase/(decrease) in cash and cash equivalents	**7 826 000**	**3 457 330**	**11 283 330**	-		**11 283 330**	**6 420 455**		**(4 862 875)**	**57 %**	**82 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	2 647 203		2 647 203	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**7 826 000**	**3 457 330**	**11 283 330**	-		**11 283 330**	**9 067 658**		**2 215 672**	**80 %**	**116 %**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality used the prime interest rate plus 2% to discount future cash flows.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by Council for the preparation of these financial statements. The amounts are scheduled as a seperate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the financial statements, firstly stating reasons for overall growth or decline in the budget,and secondly, motivating overspending or underspending on line items.

The annual budget figures included in the financial statements are for the municipality. These figures are those approved by Council both at beginning and during the year following a period of consultation with the public as part of the IDP.

Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustments is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or amount of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information items, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not corrolate with the auditor's materiality.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

1.5 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 years
Plant and machinery	Straight line	5 - 15 years
Furniture and fixtures	Straight line	7 - 10 years
Motor vehicles	Straight line	5 - 20 years
Office equipment	Straight line	3 - 5 years
IT equipment	Straight line	3 - 5 years
Community	Straight line	20 years
Electricity infrastructure	Straight line	10 - 50 years
Roads infrastructure	Straight line	5 - 80 years
Sewerage infrastructure	Straight line	10 - 60 years
Water infrastructure	Straight line	20 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.5 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life

1.6 Intangible assets (continued)

Licenses and franchises	1 years
Computer software	3 years

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.7 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

1.8 Financial instruments (continued)
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

1.8 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.8 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the municipality directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.9 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.12 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.12 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Accounting Policies

1.13 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.14 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Accounting Policies

1.14 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Accounting Policies

1.15 Commitments (continued)
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.17 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Detailed disclosures are made in note 43 to the annual financial statements as required by the Municipal Finance Management Act (Act No.56 of 2003)

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Detailed disclosures are made in note 44 to the annual financial statements as required by the Municipal Finance Management Act (Act No.56 of 2003)

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) the MFMA, and has not been condoned in terms of section 170
(b) the Municipal System Act, and which has not been condoned in term of that act;
(c) the Public Office-Bearers Act, 1998 (Act No.20 of 1998) and the requirements of the supply chain management policy of the municipality in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate0 cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Value-Added Tax (VAT)

The municipality applies the payment basis for VAT purposes as per the Value-Added Tax Act. Output VAT is payable as and when the purchase consideration are received and input will be claimed as and when payment is made.

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact of the amendment is not material.
GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 18: Segment Reporting	01 April 2017	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements
GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
GRAP 108: Statutory Receivables	01 July 2017	The impact of the amendment is not material.
GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
GRAP 21 (as amended 2015): Impairment of non-cashgenerating assets	01 April 2017	The impact of the amendment is not material.
GRAP 26 (as amended 2015): Impairment of cashgenerating assets	01 April 2017	The impact of the amendment is not material.
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

Notes to the Financial Statements

Figures in Rand	2017	2016

3. Inventories

	2017	2016
Maintenance materials and stationery	497 964	352 624
Water	387 493	348 177
	885 457	**700 801**

Inventories recognised as an expense during the year	1 121 103	1 116 923

Inventory pledged as security

No inventory was pledged as security.

4. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	53 310 355	-	53 310 355	53 246 642	-	53 246 642

Reconciliation of investment property - 2017

	Opening balance	**Fair value adjustments**	**Total**
Investment property	53 246 642	63 713	53 310 355

Reconciliation of investment property - 2016

	Opening balance	**Fair value adjustments**	**Total**
Investment property	50 059 343	3 187 299	53 246 642

Pledged as security

No investment property is pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Friday, 30 June 2017. Revaluations were performed by independent valuers, DDP. DDP is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	181 991	158 810

Notes to the Financial Statements

Figures in Rand	2017	2016

5. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	6 079 501	-	6 079 501	6 079 501	-	6 079 501
Buildings	15 509 177	(5 300 691)	10 208 486	15 095 938	(4 759 433)	10 336 505
Infrastructure	303 376 394	(76 500 854)	226 875 540	279 142 411	(65 323 562)	213 818 849
Community	3 951 070	(1 714 522)	2 236 548	4 344 368	(1 730 661)	2 613 707
Other property, plant and equipment	7 676 144	(5 128 667)	2 547 477	6 420 893	(4 623 599)	1 797 294
Leased assets	137 010	(137 010)	-	137 010	(94 343)	42 667
Land inventory	3 425 410	-	3 425 410	3 425 410	-	3 425 410
Assets under construction	6 723 925	-	6 723 925	18 399 476	-	18 399 476
Total	**346 878 631**	**(88 781 744)**	**258 096 887**	**333 045 007**	**(76 531 598)**	**256 513 409**

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	6 079 501	-	-	-	-	-	-	6 079 501
Buildings	10 336 505	-	(51 527)	541 998	-	(618 490)	-	10 208 486
Infrastructure	213 818 849	717 427	(1 023 487)	25 266 009	-	(11 303 796)	(599 462)	226 875 540
Community	2 613 707	-	(154 239)	-	-	(222 920)	-	2 236 548
Other property, plant and equipment	1 797 294	1 255 251	-	-	-	(505 068)	-	2 547 477
Leased assets	42 667	-	-	-	-	(42 667)	-	-
Land inventory	3 425 410	-	-	-	-	-	-	3 425 410
Assets under construction	18 399 476	14 132 456	-	(25 808 007)	-	-	-	6 723 925
	256 513 409	**16 105 134**	**(1 229 253)**	**-**	**-**	**(12 692 941)**	**(599 462)**	**258 096 887**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	6 079 501	-	-	-	-	-	-	6 079 501
Buildings	10 718 350	234 606	-	-	-	(616 451)	-	10 336 505
Infrastructure	213 048 448	9 473 523	(1 314 995)	3 116 718	99 792	(10 604 637)	-	213 818 849
Community	2 827 353	9 344	-	-	-	(222 990)	-	2 613 707
Other property, plant and equipment	664 567	597 888	-	-	1 372 396	(837 557)	-	1 797 294
Leased assets	97 842	-	-	-	-	(55 175)	-	42 667
Land inventory	3 425 410	-	-	-	-	-	-	3 425 410
Assets under construction	6 869 463	14 646 731	-	(3 116 718)	-	-	-	18 399 476
	243 730 934	**24 962 092**	**(1 314 995)**	**-**	**1 472 188**	**(12 336 810)**	**-**	**256 513 409**

Pledged as security

No assets were pledged as security.

Figures in Rand	2017	2016

5. Property, plant and equipment (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 years
Plant and machinery	Straight line	5 -15 years
Furniture and fixtures	Straight line	7 - 10 years
Motor vehicles	Straight line	5 - 20 years
Office equipment	Straight line	3 - 5 years
IT equipment	Straight line	3 -5 years
Community	Straight line	20 years
Electricity infrastructure	Straight line	10 - 50 years
Roads infrastructure	Straight line	5 - 80 years
Sewerage infrastructure	Straight line	10 - 60 years
Water infrastructure	Straight line	20 years

Reconciliation of assets under construction

	Solid waste	Sewerage	Total
Opening balance	1 057 621	-	1 057 621
Additions/capital expenditure	530 518	5 135 786	5 666 304
	1 588 139	**5 135 786**	**6 723 925**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2017	2016
General expenses	1 658 086	1 518 171

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	464 394	(81 315)	383 079	76 886	(6 664)	70 222

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Licenses	70 222	387 508	(74 651)	383 079

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Licenses	-	76 886	(6 664)	70 222

Notes to the Financial Statements

Figures in Rand	2017	2016

7. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical structures	875 000	-	875 000	875 000	-	875 000

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical structures	875 000	875 000

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical structures	875 000	875 000

8. Employee benefit obligations

Long Service Awards Liability

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long service benefits are awarded in the form of leave days and a percentage of salary. We have converted the awarded leave days into a percentage of the employee's annual salary. The conversion is based on a 250 working day year and therefore the benefits awarded can be expressed as follows:

Completed Years of service	Long Service Leave Award (Working Days)	Long Service Bonus Award (% of Annual Salary)	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10	10	3%	7%	(10/250+3%)
15	10	4%	8%	(10/250+4%)
20	15	5%	11%	(15/250+5%)
25,30,35,40 and 45	15	6%	12%	(15/250+6%)

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Valuation of Assets

As at the valuation date, the long service leave award liability of the municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Financial Variables:
The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value 30-06-2016 (Current Valuation)	Assumed Value 30-06-2015 (Preceding valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve

Figures in Rand	2017	2016

8. Employee benefit obligations (continued)

Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1
Net Effective Discount Rate	Yield Curve Based**	Yield Curve Based**

Discount Rate

GRAP 25 defines the determination of the discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

We use the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.

The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2017 of 6%. As at the time of this valuation South African Municipal salaries' negotiations were still in progress. Therefore, for the purpose of performing this valuation, we have assumed that the previous year's increase rate of 6.79% is still relevant in this year's valuation. The next salary increase was assumed to take place on 01 July 2017.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates

Age Band	Promotional Increase
20-24	5%
25-29	4%
30-34	3%
35-39	2%
40-44	1%
45 and over	0%

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Notes to the Financial Statements

Figures in Rand	2017	2016

8. Employee benefit obligations (continued)

Age	Withdrawal Rate Males	Withdrawal Rate Females
20-24	16%	24%
25-29	12%	18%
30-34	10%	15%
35-39	8%	10%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0	-

Total eligible employees	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20-29	24	168 593	2,00	2 374
30-39	44	144 855	5,13	10 162
40-49	21	162 652	12,33	25 468
50-59	14	153 157	16,15	16 601
60+	2	177 856	30,34	14 678
	105	**807 113**	**65**	**69 283**

Changes in the present value long service obligation are as follows:

	2017	2016
Opening balance	1 138 000	819 000
Net expense recognised in the statement of financial performance	163 000	319 000
	1 301 000	**1 138 000**

Net expense recognised in the statement of financial performance

	2017	2016
Current service cost	151 000	113 000
Interest cost	118 000	77 000
Actuarial (gains) / losses	(75 185)	145 609
Benefits paid	(30 815)	(16 609)
	163 000	**319 000**

Calculation of actuarial gains and losses

	2017	2016
Actuarial (gains) losses – Obligation	(75 185)	145 609

Sensitivity Analysis

As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the normal salary cost inflation;

Notes to the Financial Statements

Figures in Rand	2017	2016

8. Employee benefit obligations (continued)

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	1 402 000	1 301 000	1 214 000
Current Service Cost	186 000	163 000	144 000
Interest Cost	149 000	137 000	128 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the normal salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	1 215 000	1 301 000	1 397 000
Current Service Cost	149 000	163 000	179 000
Interest Cost	128 000	137 000	148 000
	1 492 000	**1 601 000**	**1 724 000**

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, a municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

We use the nominal and real zero curves as at **30 June 2017** supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.

The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2016 of **6%.** The next salary increase was assumed to take place on 01 July 2017

Changes in the value of the obligation	Current Valuation Date 30-06-2017	1 Year Following the Valuation Date	2 Years Following the Valuation Date	3 Years Following the Valuation Date
PV of the obligation as at the previous valuation date	1 138 000	1 301 000	1 451 000	1 537 852
Current Service Cost	151 000	163 000	166 942	172 422
Interest Cost	118 000	137 000	144 910	157 556
Benefits Paid	(30 815)	(150 000)	(225 000)	(156 000)
Actuarial Loss / (Gain)	(75 185)	-	-	-
	1 301 000	**1 451 000**	**1 537 852**	**1 711 830**

Amounts recognised in the balance sheet and the income statement:	Current Valuation Date 30-06-2017	1 Year Following the Valuation Date	2 Year Following the Valuation Date	3Year Following the Valuation Date
Liability recognised in the balance sheet	1 301 000	1 451 000	1 537 852	1 711 830
Current Service Cost in the income statement	151 000	163 000	166 942	172 422
Interest Cost in the income statement	118 000	137 000	144 910	157 556
Actuarial Loss / (Gain) recognised in Other Comprehensive Income	(75 185)	-	-	-

Notes to the Financial Statements

Figures in Rand	2017	2016

9. Receivables from non-exchange transactions

Cigicel	1 751 077	-
Other receivables from non-exchange revenue	566 594	778 804
Department of safety and liason	1 822 028	805 646
Consumer debtors - Rates	3 624 909	9 500 413
	7 764 608	**11 084 863**

Receivables from non-exchange transactions impaired

As of 30 June 2017, consumer debtors (rates) from non-exchange transactions of R 21 186 625 (2016: R 17 350 917) were impaired and provided for.

The amount of the provision was R 17 350 917 as of 30 June 2017 (2016: R 7 850 504).

The ageing of these receivables is as follows:

Current (0 -30 days)	527 781	1 095 501
31 - 60 days	915 267	458 584
61 - 90 days	316 051	387 308
91 - 120 days	266 143	277 840
121 - 365 days	1 613 843	7 281 180

10. VAT receivable

VAT	7 741 483	5 880 058

VAT is receivable/payable on the cash basis. VAT is paid over to SARS once payment is received from debtors and claimed from SARS once suppliers have been paid. This amount is the net effect of the municipalities control accounts for debtors and creditors for which payment were received and payments made to suppliers.

11. Consumer debtors

Gross balances		
Electricity	7 791 347	5 573 755
Water	15 621 436	13 639 863
Sewerage	6 653 962	5 532 265
Refuse	7 853 132	5 799 066
Housing rental	14 992	11 031
Sundries & VAT	7 780 658	5 918 723
	45 715 527	**36 474 703**

Less: Allowance for impairment		
Electricity	(8 438 857)	(4 049 421)
Water	(10 513 328)	(12 921 310)
Sewerage	(5 754 895)	(5 208 446)
Refuse	(7 338 200)	(5 330 657)
Housing rental	(17 090)	(4 305)
Sundries & VAT	(398 829)	(3 411 652)
	(32 461 199)	**(30 925 791)**

Notes to the Financial Statements

Figures in Rand	2017	2016

11. Consumer debtors (continued)

Net balance		
Electricity	(647 510)	1 524 334
Water	5 108 108	718 553
Sewerage	899 067	323 819
Refuse	514 932	468 409
Housing rental	(2 098)	6 726
Sundries & VAT	7 381 829	2 507 071
	13 254 328	**5 548 912**

Electricity		
Current (0 -30 days)	484 263	1 107 963
31 - 60 days	192 546	218 869
61 - 90 days	84 585	77 494
91 - 120 days	37 333	32 117
121 - 365 days	(1 446 237)	87 891
	(647 510)	**1 524 334**

Water		
Current (0 -30 days)	238 849	348 937
31 - 60 days	165 415	71 554
61 - 90 days	66 927	52 133
91 - 120 days	45 061	27 956
121 - 365 days	4 591 856	217 973
	5 108 108	**718 553**

Sewerage		
Current (0 -30 days)	95 571	169 499
31 - 60 days	52 910	34 382
61 - 90 days	28 171	21 093
91 - 120 days	16 316	15 335
121 - 365 days	706 099	83 510
	899 067	**323 819**

Refuse		
Current (0 -30 days)	89 853	255 094
31 - 60 days	51 338	69 961
61 - 90 days	27 925	31 962
91 - 120 days	17 074	13 698
121 - 365 days	328 742	97 694
	514 932	**468 409**

Housing rental		
Current (0 -30 days)	(2 098)	6 726

Sundries & VAT		
Current (0 -30 days)	91 897	295 717
31 - 60 days	4 370	15 191
61 - 90 days	10 274	84 930
91 - 120 days	2 588	55 954
121 - 365 days	7 272 700	2 055 279
	7 381 829	**2 507 071**

Notes to the Financial Statements

Figures in Rand	2017	2016

11. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	799 325	849 581
31 - 60 days	715 932	537 687
61 - 90 days	279 914	253 639
91 - 120 days	186 081	164 564
121 - 365 days	768 750	530 647
	2 750 002	**2 336 118**
Industrial/ commercial		
Current (0 -30 days)	384 622	750 026
31 - 60 days	169 337	413 626
61 - 90 days	67 283	225 985
91 - 120 days	11 851	101 015
121 - 365 days	83 491	678 917
	716 584	**2 169 569**
National and provincial government		
Current (0 -30 days)	384 622	442 445
31 - 60 days	169 337	187 781
61 - 90 days	67 283	180 494
91 - 120 days	11 851	178 900
121 - 365 days	83 491	53 605
	716 584	**1 043 225**
Impaired consumer balance	13 254 328	5 548 912
Allowance for impairment	(32 461 199)	(30 925 791)

Reconciliation of allowance for impairment

Balance at beginning of the year	(30 925 791)	(25 177 645)
Contributions to allowance	(1 535 408)	(5 748 146)
Reversal of allowance	-	-
	-	-
	(32 461 199)	**(30 925 791)**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 467 668	1 746 149
Short-term deposits	7 599 990	901 054
	9 067 658	**2 647 203**

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2017	30 June 2016	30 June 2015	Cash book balances 30 June 2017	30 June 2016	30 June 2015
First National Bank - Call account - 62021476313	5 422 969	59 570	945	5 422 696	59 570	945
First National Bank - Call account - 62289233547	50 912	432 951	983	50 912	432 951	983
First National Bank - Cheque account - 52003878794	325 922	361 069	312 243	325 922	361 069	312 243
First National Bank - Call account - 62627395347	349 325	-	-	349 325	-	-
First National Bank - Call account - 62627396155	301 833	-	-	34 262	-	-
First National Bank - Call account - 62627396915	40 148	-	-	40 148	-	-
First National Bank - Call account - 62627394498	182 135	-	-	182 135	-	-
First National Bank - 62076024571	-	-	(144)	-	-	(144)
First National Bank - 62067443582	-	-	33	-	-	33
Total	**6 673 244**	**853 590**	**314 060**	**6 405 400**	**853 590**	**314 060**

13. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	-	84 359
	-	84 359
less: future finance charges	-	(16 182)
Present value of minimum lease payments	**-**	**68 177**
Present value of minimum lease payments due		
- within one year	-	68 177

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 4% (2016: 4%).

Interest rates are linked to prime at the contract date. All leases escalate at 8% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5.

Notes to the Financial Statements

Figures in Rand	2017	2016

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	5 215 048	4 321
INEP	401 302	401 302
Housing Grant	66 792	66 792
FMG Grant	-	314 777
MSIG Grant	173 345	699 353
Library Grant	1 702 173	519 173
EPWP Grant	-	79 810
	7 558 660	**2 085 528**

Movement during the year

Balance at the beginning of the year	2 085 528	669 713
Additions during the year	24 866 000	23 283 983
Income recognition during the year	(19 392 868)	(21 868 168)
	7 558 660	**2 085 528**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note 24 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Other financial liabilities

At amortised cost		
Development Bank of South Africa	-	637 552
The loan was settled in the 2017 financial year		

Current liabilities		
At amortised cost	-	637 552

16. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Unwinding of discount costs	Change in estimate	Total
Environmental rehabilitation	2 499 025	259 340	(587 677)	2 170 688

Reconciliation of provisions - 2016

	Opening Balance	Unwinding of discount costs	Change in estimate	Total
Environmental rehabilitation	2 188 487	210 746	99 792	2 499 025

Environmental rehabilitation provision

The Standards of Generally Recognised Accounting Practice states that a provision shall be recognised when:
(a) an entity has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.

In terms of the licensing of the municipality's landfill site, the municipality is obliged to restore the site at the end of its useful life.

The municipality appointed experts to quantify the expected restoration costs in a report. This landfill rehabilitation provision report was compiled by BVi Consulting Engineers.

The refuse disposal site area is approximately 12 376m^2. In terms of the licensing of the landfill site, the municipality will incur rehabilitation costs of R 6,174,802.17 to restore the site at the end of its useful life, estimated to be in 2026.

Provision has been made for the net present value of this cost discounting the future value at a rate of 10.50% (2016: 9.92%) over a 10 year period.

The following measures were recommended by the consulting engineers for the landfill site:
- a fence must be erected with the required notice boards on the fence and the gate,
- determine/reassess end use requirements,
- investigate landfill topography and surface water drainage,
- conduct an environmental impact assessment,
- investigate landfill geology,
- design closure or upgrade,
- complete operation and maintenance plans,
- rehabilitation or closure, and
- permit application.

Figures in Rand	2017	2016

17. Payables from exchange transactions

Trade payables	27 410 686	17 099 627
Accrual creditors	1 907 172	2 307 350
Prepaid electricity sold not utilized	77 987	54 986
Accrued leave pay	1 831 396	905 529
Accrued bonus	615 235	725 075
Unallocated receipts	1 851 233	1 540 516
Debtors with credit balance	1 825 063	948 476
Salary control account	487 446	361 416
Community hall	750	1 380
Third party receipts	136 889	-
Unknown bank transfers	6 121 321	5 063 621
	42 265 178	**29 007 976**

18. Consumer deposits

Electricity	1 419 606	1 370 874

19. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	7 764 608	7 764 608
Consumer debtors	13 254 328	13 254 328
Cash and cash equivalents	9 067 658	9 067 658
	30 086 594	**30 086 594**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	42 265 178	42 265 178
Consumer deposits	1 419 606	1 419 606
	43 684 784	**43 684 784**

2016

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	11 084 863	11 084 863
Consumer debtors	5 548 912	5 548 912
Cash and cash equivalents	2 647 203	2 647 203
	19 280 978	**19 280 978**

Financial liabilities

	At amortised cost	Total

Notes to the Financial Statements

Figures in Rand	2017	2016

. Financial instruments disclosure (continued)

Other financial liabilities - DBSA	637 552	637 552
Payables from exchange transactions	29 007 976	29 007 976
Finance lease obligation	68 177	68 177
Consumer deposits	1 370 874	1 370 874
	31 084 579	**31 084 579**

20. Service charges

Sale of electricity	18 793 554	18 262 928
Sale of water	5 893 736	7 317 264
Solid waste	450 403	5 884 797
Sewerage and sanitation charges	10 973 604	4 359 216
	36 111 297	**35 824 205**

21. Other income

General income	529 091	241 522
Fines on bridging of meters	-	911
Cigicel	1 751 077	-
	2 280 168	**242 433**

22. Investment revenue

Bank	375 732	233 797

23. Property rates

Rates received

Residential	1 652 278	1 527 723
Industrial	915 856	859 262
State	240 641	225 813
Rezoning	242 401	2 286 558
Industrial	133 139	124 935
Mining	3 349 440	2 982 871
	6 533 755	**8 007 162**

Notes to the Financial Statements

Figures in Rand	2017	2016

24. Government grants and subsidies

Operating grants		
Equitable share	17 373 000	17 104 000
FMG	2 324 777	1 560 223
MSIG	526 008	230 647
INEP	-	1 098 698
Library	-	915 403
CoGHSTA	-	1 214 983
	20 223 785	22 123 954
Capital grants		
MIG	15 462 274	15 926 679
DWA Grant	-	2 061 046
EPWP	977 331	921 535
	16 439 605	18 909 260
	36 663 390	**41 033 214**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	17 373 000	17 104 000
Unconditional grants received	19 290 390	23 929 214
	36 663 390	**41 033 214**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	4 321	-
Current-year receipts	20 673 000	15 931 000
Conditions met - transferred to revenue	(15 466 597)	(15 926 679)
Unspent paid back	4 324	-
	5 215 048	**4 321**

Conditions still to be met - remain liabilities (see note 14).

The Municipal Infrastructure Grant was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

INEP

Balance unspent at beginning of year	401 302	-
Current-year receipts	-	1 500 000
Conditions met - transferred to revenue	-	(1 098 698)
	401 302	**401 302**

Conditions still to be met - remain liabilities (see note 14).

Expenses were incurred to promote rural development and upgrade electricity infrastructure.

Housing Grant

Figures in Rand	2017	2016

24. Government grants and subsidies (continued)

Balance unspent at beginning of year	66 792	66 792

Conditions still to be met - remain liabilities (see note 14).

The grant was allocated for the funding of various projects e.g LED Strategy, IDP, PMS, ect to assist in the improvement of the performance of the municipality.

FMG

Balance unspent at beginning of year	314 777	-
Current-year receipts	2 010 000	1 875 000
Conditions met - transferred to revenue	(2 324 777)	(1 560 223)
	-	314 777

Conditions still to be met - remain liabilities (see note 14).

The Financial Management Grant is paid by National Treasury to Municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

Notes to the Financial Statements

Figures in Rand	2017	2016

24. Government grants and subsidies (continued)

Municipal System Improvement Grant

Balance unspent at beginning of year	699 353	-
Current-year receipts	-	930 000
Conditions met - transferred to revenue	(526 008)	(230 647)
	173 345	**699 353**

Conditions still to be met - remain liabilities (see note 14).

The Municipal System Immprovement Grant is allocated to municipalities to assist in building in-house capacity to perform their fuctions and to improve and stabilise municipal systems.

Library Grant

Balance unspent at beginning of year	519 173	601 576
Current-year receipts	1 183 000	833 000
Conditions met - transferred to revenue	-	(915 403)
	1 702 173	**519 173**

Conditions still to be met - remain liabilities (see note 14).

This grant was received for the building and maintenance of libraries in the district.

EPWP

Balance unspent at beginning of year	79 810	1 345
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 079 810)	(921 535)
	-	**79 810**

Conditions still to be met - remain liabilities (see note 14).

CoGHSTA

Current-year receipts	-	1 214 983
Conditions met - transferred to revenue	-	(1 214 983)
	-	-

The grant was made to the municipality by CoGHSTA for GeoScience in the dolomite study.

25. Public contributions and donations

Public contributions and donations	3 138 911	600 000

Reconciliation of conditional contributions

Current-year receipts	3 138 911	600 000
Conditions met - transferred to revenue	(3 138 911)	(600 000)
	-	-

Audit fees paid by Treasury on behalf of Kgatelopele Local Municipality.

Notes to the Financial Statements

Figures in Rand	2017	2016

26. Revenue

Service charges	36 111 297	35 824 205
Interest received (trading)	90 563	101 603
Fees earned	364 192	797 492
Commissions received	1 093 489	907 396
Rental income	181 991	158 810
Other income	2 280 168	242 433
Interest received - investment	375 732	233 797
Property rates	6 533 755	8 007 162
Government grants & subsidies	36 663 390	41 033 214
Public contributions and donations	3 138 911	600 000
Fines, penalties and forfeits	17 509	19 503
	86 850 997	**87 925 615**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	36 111 297	35 824 205
Interest received (trading)	90 563	101 603
Fees earned	364 192	797 492
Commissions received	1 093 489	907 396
Rental income	181 991	158 810
Other income	2 280 168	242 433
Interest received - investment	375 732	233 797
	40 497 432	**38 265 736**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	6 533 755	8 007 162
Transfer revenue		
Government grants & subsidies	36 663 390	41 033 214
Public contributions and donations	3 138 911	600 000
Fines, penalties and forfeits	17 509	19 503
	46 353 565	**49 659 879**

Notes to the Financial Statements

Figures in Rand	2017	2016

27. General expenses

Advertising	176 409	54 816
Assets expensed	-	70 767
Auditors remuneration	2 143 354	2 334 786
Bank charges	213 589	299 590
Cleaning and chemicals	383 607	1 132 601
Commission paid	644 201	1 363 566
Community development and training	32 060	4 349
Conferences and seminars	92 268	97 027
Consulting and professional fees	279 949	1 055 000
Entertainment	50 709	12 270
Fuel and oil	438 419	563 171
Hire	86 307	1 163
IT expenses	-	454 848
Insurance	851 996	942 199
Interest and penalties	2 401 403	1 046 080
MSCOA	378 212	-
Material	22 008	7 526
Medical examinations (employees)	547	1 747
Membership fees	503 363	505 480
Postage and courier	79 079	211 238
Printing and stationery	829 908	78 192
Promotions	-	8 035
Protective clothing	289 252	229 040
Repairs and maintenance	1 658 086	1 518 173
Research and development costs	-	1 385 080
Security Services	1 169 875	1 006 358
System support	253 293	4 301
Telephone expenses	407 754	466 194
Training	124 625	3 587
Travel - local	665 390	658 331
Workman compensation	1 243	177 215
	14 176 906	**15 692 730**

Notes to the Financial Statements

Figures in Rand	2017	2016

28. Employee related costs

Basic	14 483 724	12 473 906
Bonus	1 176 666	976 709
Medical aid - company contributions	1 162 652	941 100
UIF	140 922	119 203
SDL	212 020	173 101
Bargaining Council	11 028	8 426
Leave	436 521	70 446
Group Insurance	11 233	10 387
Standby Allowances	309 077	134 778
Defined contribution plans	2 475 851	2 058 568
Travel, motor car, accommodation, subsistence and other allowances	114 740	130 612
Overtime payments	1 096 944	895 416
Long service bonus provision	151 000	190 000
Acting allowances	664 258	419 065
Housing allowance	24 900	31 200
Cellphone allowance	6 221	8 913
	22 477 757	**18 641 830**

Long service bonus provision include the following

Interest	118 000	77 000
Current service cost	151 000	113 000
	269 000	**190 000**

The employee related costs above includes remuneration of Section 57 Managers as presented below:

Remuneration of Municipal Manager

Annual Remuneration	666 345	633 610
Car Allowance	186 360	186 360
Contributions to UIF, Medical and Pension Funds	9 939	9 348
Other	40 688	20 678
	903 332	**849 996**

Remuneration of Chief Financial Officer

Annual Remuneration	-	212 703
Car Allowance	-	62 500
Contributions to UIF, Medical and Pension Funds	-	3 256
Other	-	1 033
Other	-	36 000
	-	**315 492**

The municipality did not have a Chief Financial Officer for the 2017 financial year.

Remuneration of Technical Manager

Annual Remuneration	-	258 864
Car Allowance	-	70 000
Performance Bonuses	-	56 420
Contributions to UIF, Medical and Pension Funds	-	5 529
Other	-	37 276
Other	-	40 222
Other	-	16 052
	-	**484 363**

Notes to the Financial Statements

Figures in Rand	2017	2016

28. Employee related costs (continued)

The municipality did not have a Technical Manager for the 2017 financial year.

Remuneration of Acting Chief Financial Officer

Acting allowance	281 089	227 744

E Chadinha acted as Chief Financial Officer for the 2016 financial year.

E Chadinha acted as Chief Financial Officer for from July 2016 until February 2017.

Remuneration of Acting Chief Financial Officer

Acting Allowances	140 023	-

O Louw is the current Acting Chief Financial Officer and started acting in this position in March 2017.

29. Remuneration of councillors

Mayor	870 809	756 672
Councillors	1 326 354	1 724 325
	2 197 163	**2 480 997**

In-kind benefits

The Mayor is full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council-owned vehicle for official duties and Council-owned laptop. Councilors are also provided with laptops.

The Mayor has a fulltime driver for official duties, at cost to company.

Councillor remuneration is in line with upper limits as Gazetted in the framework envisaged in section 219 of the Constitution.

30. Depreciation and amortisation

Property, plant and equipment	13 423 591	11 383 582

31. Impairment of assets

Impairments		
Trade and other receivables	12 011 248	8 029 418
If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.		

The main classes of assets affected by impairment losses are:

- Consumer receivables presented in note 11.

The main events and circumstances that led to the recognition of these impairment losses are as follows:

- Consumer debtors are defaulting on paying for municipal services rendered to them.

Notes to the Financial Statements

Figures in Rand	2017	2016
32. Finance costs		
Current borrowings	403 122	853 425

Notes to the Financial Statements

Figures in Rand	2017	2016

33. Auditors' remuneration

Fees	2 143 354	2 334 786

34. Contracted services

Enviroserve	2 494 910	3 911 427

35. Grants and subsidies paid

Other subsidies		
Library Grant	1 291 188	729 680
Municipal Systems Improvement Grant (MSIG)	455 727	222 001
Finance Management Grant (FMG)	1 249 461	1 390 478
Potholes EPWP Projects	980 791	903 964
	3 977 167	**3 246 123**

36. Bulk purchases

Electricity	17 472 643	15 568 430

37. Cash generated from operations

(Deficit) surplus	(4 096 145)	8 053 053
Adjustments for:		
Depreciation and amortisation	13 423 591	11 383 582
Gain on sale of assets and liabilities	1 226 881	1 328 487
Fair value adjustments	(163 505)	(3 287 091)
Impairment deficit	12 011 248	8 029 418
Movements in retirement benefit assets and liabilities	163 000	319 000
Movements in provisions	(328 337)	(2 893 778)
Other non-cash items	879 638	-
Changes in working capital:		
Inventories	(184 656)	(155 058)
Receivables from exchange transactions	(12 011 248)	-
Consumer debtors	(7 705 416)	(10 608 242)
Other receivables from non-exchange transactions	3 320 255	(4 338 035)
Payables from exchange transactions	13 257 204	10 889 668
VAT	(1 861 425)	(2 305 359)
Unspent conditional grants and receipts	5 473 132	1 415 815
Consumer deposits	48 732	546 867
	23 452 949	**18 378 327**

Notes to the Financial Statements

Figures in Rand	2017	2016

38. Commitments

Authorised expenditure

Already contracted for but not provided for		
• Property, plant and equipment	43 499 326	20 460 055
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	37 212 692	80 362 576
Total capital commitments		
Already contracted for but not provided for	43 499 326	20 460 055
Not yet contracted for and authorised by accounting officer	37 212 692	80 362 576
	80 712 018	**100 822 631**

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure	2 012 444	-
Total operational commitments		
Already contracted for but not provided for	2 012 444	-

Total commitments

Total commitments		
Authorised capital expenditure	80 712 018	100 822 631
Authorised operational expenditure	2 012 444	-
	82 724 462	**100 822 631**

39. Contingencies

Labour dispute
Claim against Kgatelopele Local Municipality for re-instatement, where by the applicant claimed re-instatement. The matter was dismissed by the labour court on 06 June 2016.

Contingent liability - Unlicensed landfill sites

The municipality managed landfill site without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).

In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed.

Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community.

Description - 2017	Estimated Value	Legal fees/ Interest	Total Estimated Cost to Municipality
Plaintiff vs Kgatelopele Local Municipality	50 000	10 000	60 000
Plaintiff vs Kgatelopele Local Municipality	50 000	10 000	60 000
The Plaintiff has sued the municipality for bridge of contract, as services was terminated on the basis of services not rendered to the municipality.	800 000	200 000	1 000 000
Service provider was appointed on a 50% basis of amount received from VAT recovery. The consultants has not recover any amount outstanding.	645 192	161 298	806 490
Plaintiff is suing the municipality for work done on the electrification of a area in Danielskuil. Municipality is of the opinion that no supply chain process was followed and no evidence of work done could be traced.	84 379	21 095	105 474
SARS Preliminary VAT 201 assessment audit for 2010 untill 2014, resulted in the municipality owing SARS, final assessment still outstanding	5 744 739	574 474	6 319 213
	7 374 310	**976 867**	**8 351 177**

Description - 2016	Estimated Value	Legal fees/ Interest	Total Estimated Cost to Municipality
Plaintiff vs Kgatelopele Local Municipality	50 000	10 000	60 000
Plaintiff vs Kgatelopele Local Municipality	50 000	10 000	60 000
The Plaintiff has sued the municipality for bridge of contract, as services was terminated on the basis of services not rendered to the municipality.	800 000	200 000	1 000 000
Service provider was appointed on a 50% basis of amount received from VAT recovery. The consultants has not recover any amount outstanding.	645 192	161 298	806 490
Plaintiff is suing the municipality for work done on the electrification of a area in Danielskuil. Municipality is of the opinion that no supply chain process was followed and no evidence of work done could be traced.	84 379	21 095	105 474
SARS Preliminary VAT 201 assessment audit for 2010 untill 2014, resulted in the municipality owing SARS, final assessment still outstanding	5 744 739	574 474	6 319 213
	7 374 310	**976 867**	**8 351 177**

Notes to the Financial Statements

Figures in Rand	2017	2016

40. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Members of key management	Municipal Manager Acting Chief Financial Officer

The above mentioned councilors and managers had active businesses during the financial year under review, however did not trade with the municipality either directly or indirectly.

There were no related party transactions.

Refer to note 28 for a detailed disclocure of the remuneration of section 57 managers.

41. Prior period errors

Receivables from non-exchange transactions
In 2016 receivables from non-exchange transactions were understated. The restatement amounts to R 557 780.

VAT receivable
A grant receipt (CoGHSTA) was incorrectly omitted from the 2016 cash book. The restatement amounts to R 170 098.
VAT on audit fees paid on behalf of the municipality were incorrectly not recognised in 2016. The restatement amounts to R 73 684.
In 2016 VAT on audit fees payable at yearend was understated. The restatement amounts to R 92 409.
In 2016 VAT and general expenses were understated. The restatement amounts to R 49 117.

Cash and cash equivalents
A grant receipt (CoGHSTA) was incorrectly omitted from the 2016 cash book. The restatement amounts to R 1 385 080.

Property, plant and equipment
The immovable property, plant and equipment balances were restated based on the work performed by experts. The restatements amount to R 8 116 093.

Current portion of finance leases
The current portion of the finance lease liability was incorrectly disclosed as non-current in 2016. The restatement amounts to R 68 117.

Payables from exchange transactions
In 2016 audit fees payable at yearend were understated. The restatement amounts to R 795 394.
In 2016 payables (general expenses, VAT) were understated. The restatement amounts to R 399 950.

Current portion of employee benefit obligation
The current portion of the obligation was incorrectly disclosed as non-current in 2016. The restatement amounts to R 319 000.

Finance lease liability
The current portion of the finance lease liability was incorrectly disclosed as non-current in 2016. The restatement amounts to R 68 117.

Employee benefit obligation
The current portion of the obligation was incorrectly disclosed as non-current in 2016. The restatement amounts to R 319 000.

Provisions
The 2016 provision for landfill rehabilitation was recalculated in 2017 and resulted in an increase in the discounting costs. The restatement amounts to R 210 746.
The 2016 provision for landfill rehabilitation was recalculated in 2017 and resulted in a decrease in the provision. The restatement amounts to R 4 906 686.

Accumulated surplus
The net effect of surplus and deficit adjustments in 2016 is R 14 625 270.

Service charges
A correction was made to the 2016 prepaid electricity sales. The restatement amounts to R 2 461.

Fees earned
Revenue (Department of Safety and Liason) was understated in 2016. The restatement amounts to R 293 444.

Commissions received
Revenue (Department of Safety and Liason) was understated in 2016. The restatement amounts to R 474 336.

Government grants & subsidies
A grant receipt (CoGHSTA) was incorrectly omitted from the 2016 revenue. The restatement amounts to R 1 214 983.

Public contributions and donations
Payments made on behalf of the municipality (towards audit fees) were incorrectly not recognised in 2016. The restatement amounts to R 600 000.

41. Prior period errors (continued)

Employee related costs
In 2016 employee related costs were overstated. The restatement amounts to R 503 485.

Depreciation and amortisation
The depreciation and accumulated depreciation on immovable property, plant and equipment were restated based on the work performed by experts. The restatements amount to R 58 584.

Finance costs
The 2016 provision for landfill rehabilitation was recalculated in 2017 and resulted in an increase in the discounting costs. The restatement amounts to R 210 746.

Repairs and maintenance
In 2016 expenditure pertaining to repairs and maintenance was incorrectly not classified based on the nature thereof. The restatement amounts to R 1 516 035.

General expenses
In 2016 expenditure pertaining to repairs and maintenance was incorrectly not classified based on the nature thereof. The restatement amounts to R 1 516 035.
Audit fees paid on behalf of the municipality were incorrectly not recognised in 2016. The restatement amounts to R 526 316.
In 2016 audit fees payable at yearend were also understated. The restatement amounts to R 702 985.
In 2016 general expenses were understated. The restatement amounts to R 350 833.

Loss on disposal of assets and liabilities
The 2016 losses on property, plant and equipment were restated based on the work performed by experts. The restatements amount to R 99 187.

Fair value adjustments
The 2016 fair value adjustments on property, plant and equipment (solid waste site) were restated based on the work performed by experts. The restatements amount to R 99 792.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Receivables from non-exchange transactions	-	557 780
VAT receivable	-	45 112
Cash and cash equivalents	-	1 385 080
Property, plant and equipment	-	8 116 093
Current portion of finance leases	-	(68 177)
Payables from exchange transactions	-	(385 481)
Current portion of employee benefit obligation	-	(319 000)
Finance lease liability	-	68 177
Employee benefit obligation	-	319 000
Provisions	-	4 906 686
Accumulated surplus	-	(14 625 270)

Statement of financial performance

Service charges	-	2 461
Fees earned	-	(293 444)
Commissions received	-	(474 336)
Government grants & subsidies	-	(1 214 983)
Public contributions and donations	-	(600 000)
Employee related costs	-	(503 485)
Depreciation and amortisation	-	58 584
Finance costs	-	210 746
Repairs and maintenance	-	(1 516 035)
General expenses	-	3 096 519
Loss on disposal of assets and liabilities	-	(99 187)
Fair value adjustments	-	(99 792)

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management plans are developed and monitored to ensure council's policies and systems are reviewed regulary to reflect changes in the municipality's operation.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The management of the municipality have concluded that the existence of a combination of circumstances represent a material uncertainty that casts significant doubt about the municipalities ability to continue as a going concern. nevertheless after making enquiries about considering the uncertainties described below, the management of the municipality have a reasonable expectation that the municipality will have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual financial statements of the municipality.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Notes to the Financial Statements

Figures in Rand

44. Events after the reporting date

No significant events after the reporting date were identified.

45. Unauthorised expenditure

Opening balance	34 963 618	34 963 618
Unauthorised expenditure current year	5 984 322	4 975 228

46. Fruitless and wasteful expenditure

Opening balance	1 392 508	346 428
Fruitless and wastefull expenditure	1 189 107	1 046 080
	2 581 615	**1 392 508**

47. Irregular expenditure

Opening balance	28 970 795	28 348 160
Add: Irregular Expenditure - current year	406 636	622 635
	29 377 431	**28 970 795**

Analysis of expenditure awaiting condonation per age classification

Irregular expenditure	29 377 431	28 970 895

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Various expenditure contrary to SCM policy	None taked	406 636

Details of irregular expenditure recoverable (not condoned)

Various expenditure contrary to SCM policy	406 636

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	500 000	500 000
Amount paid - current year	(500 000)	(500 000)
	-	-

Notes to the Financial Statements

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Distribution losses - Water

Units loss in distribution	13 6794Kl	31 302 Kl
Unit price per Kl	4.85	4.37
	663,451	**136 810**

Distribution losses - Electricity

Units loss in distribution	1 179 607	6 232 754
Unit price per Kw	1.26	1.42
	1,481,478	**8 762 899**

Water losses were 18% comprising of bulk water reticulation losses. The persentages unaccounted for is water distributed from the treatement plant (reservoirs) topoints of conection. Lossess can mainly be attributed to burst and leakes in distrubution networksdue to delapidated infrastructure,and the inefficiencies in the metering system.

Electricity Losses were 20% consisting out of technical and non-technical losses. The technical losses of electricity are inherent to the supply of electricity via lines,conditions/ statusand aging of electricity networks, weather conditions and loads on the system. Non- technical losses is mainly due to theft, cable bridging, delapidated pre-paid meters.

Audit fees

Opening balance	7 165 068	4 738 967
Current year subscription / fee (Including VAT)	3 147 714	3 222 940
Amount paid - current year	(3 415 358)	(796 839)
	6 897 424	**7 165 068**

PAYE and UIF

Current year subscription / fee	3 061 811	2 790 141
Amount paid - current year	(3 061 811)	(2 790 141)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	3 751 336	3 085 878
Amount paid - current year	(3 751 336)	(3 085 878)
	-	-

VAT

VAT receivable	7 741 483	5 880 058

VAT output payables and VAT input receivables are shown in note 10.

All VAT returns have been submitted by the due date throughout the year.

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
N Prince (Mayor)	2 461	744	3 205
EM Sulliman	4 837	4 123	8 960
R Losper	194	7 040	7 234
NM Ngesi	1 302	4 177	5 479
AS Adams	906	-	906
P Mgcera	481	-	481
	10 181	**16 084**	**26 265**

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
JU Lottering	1 851	689	2 540
Y Kerneels	775	280	1 055
	2 626	**969**	**3 595**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2017	Highest outstanding amount	Aging (in days)
N Prince (Mayor)	744	90
EM Sulliman	4 123	90
R Losper	7 040	90
NM Ngesi	4 177	90
	16 084	**360**

30 June 2016	Highest outstanding amount	Aging (in days)
JU Lottering	689	90
Y Kerneels	280	90
	969	**180**

49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	-	637 552

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

The liability refer to above relates to the DBSA loan which was paid in full during the 2017 Financial year.

50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Reason for deviation	2017	2016
Sole Supplier of goods and services	95 693	227 808
Acquistition of special works art/ specification	49 279	298 363
Exceptional case to follow SCM process	8 500	28 044
	153 472	**554 215**

51. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10%:

Depreciation and amortization: Insufficient budget partially due to the significant additions to *infrastructure, other assets* and *intangible assets*

Impairment loss: No budget for the bad debt provision

Finance costs: Discount costs on landfill provision not budgeted for

Contracted services: Budget for *contracted services* included the budget allocated to *general expenses*

Schedule of external loans as at 30 June 2017

	Loan Number	Redeemable	Balance at Thursday, 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Friday, 30 June 2017 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
Kgatelopele Municipality (NC086)	61006971	31/12/2016	637 552	-	637 552	-	-	-
			637 552	-	**637 552**	-	-	-
Lease liability								
Finance lease liability	Toyota		68 177	-	68 177	-	-	-
			68 177	-	**68 177**	-	-	-
Total external loans								
Development Bank of South Africa			637 552	-	637 552	-	-	-
Lease liability			68 177	-	68 177	-	-	-
			705 729	-	**705 729**	-	-	-

Kgatelopele Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2017

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share		17 373 000	-	-	-	17 373 000	-	-	-	Yes
FMG		2 010 000	-	-	-	2 010 000	-	-	-	Yes
MSIG		-	-	-	-	-	-	-	-	Yes
INEP		-	-	-	-	-	-	-	-	Yes
Library		-	-	-	-	-	-	-	-	Yes
MIG		20 673 000	-	-	-	15 462 274	-	-	-	Yes
DWAG		-	-	-	-	-	-	-	-	Yes
EPWP		977 331	-	-	-	977 331	-	-	-	Yes
		-	-	-	-	-	-	-	-	
		41 033 331	-	-	-	35 822 605	-	-	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.